

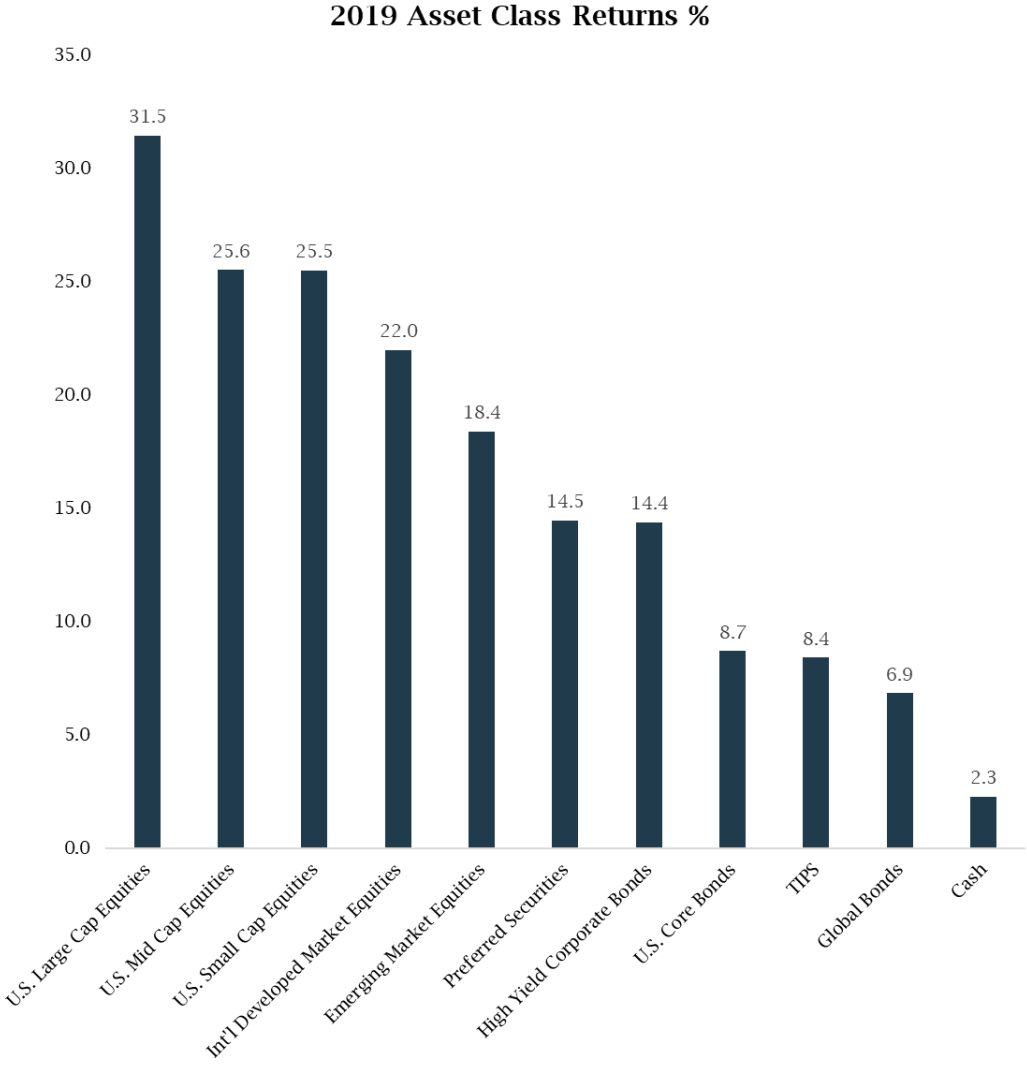


First Quarter 2020

Market Outlook

Market Outlook

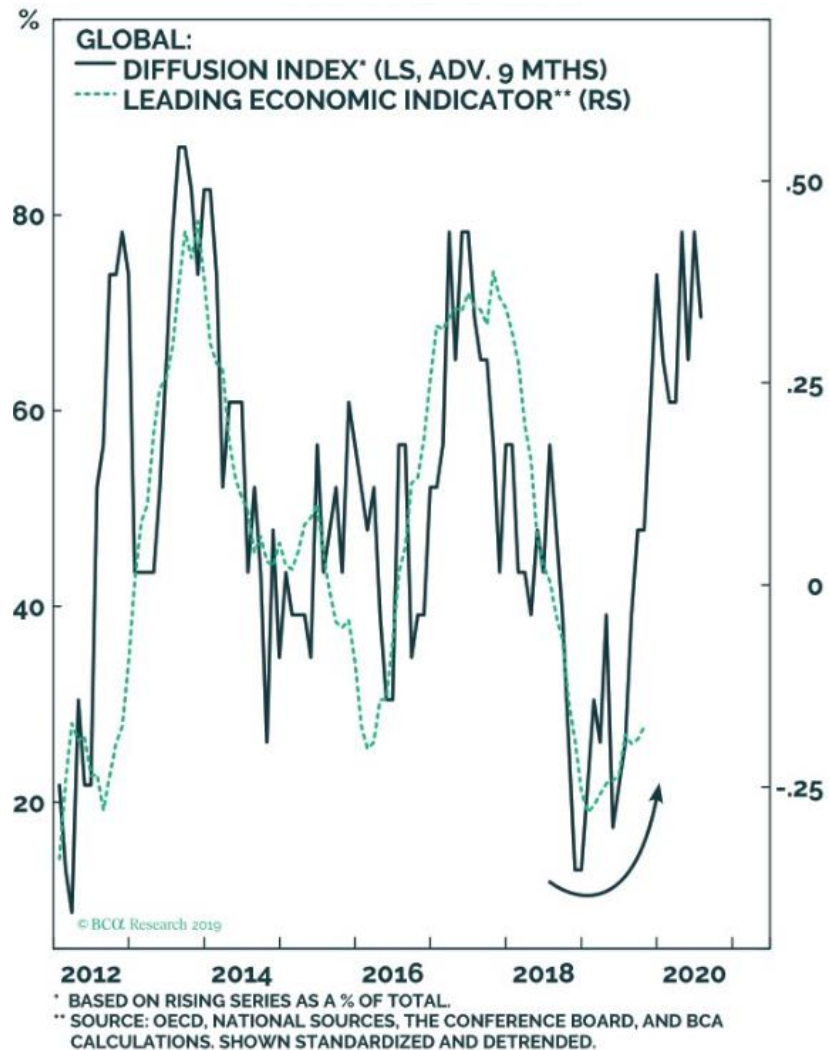
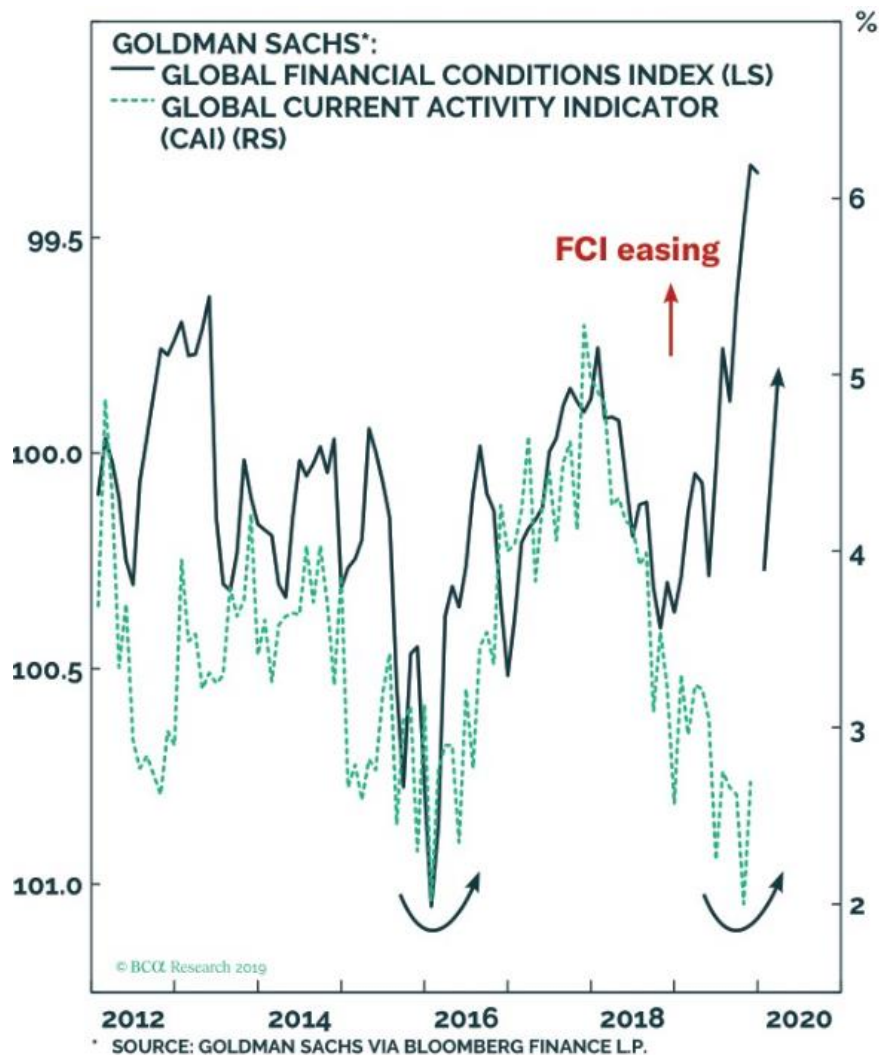
Financial market performance was very strong in 2019.



Source: Morningstar

Market Outlook

The lagged effects of easing global financial conditions are beginning to take hold, as evidenced by signs of stabilizing global growth.



Market Outlook

After representing a drag on global growth last year, manufacturing activity appears to have bottomed.



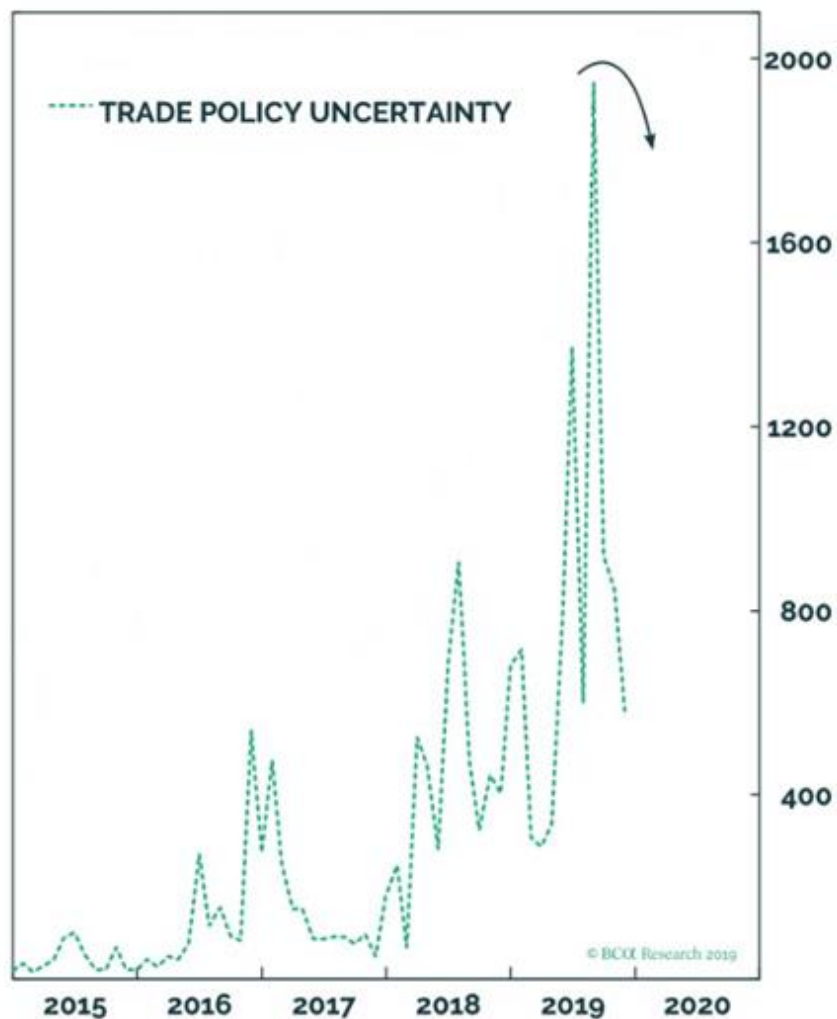
* GDP-WEIGHTED AVERAGE OF US, UK, EURO AREA, AND JAPAN.
SOURCE: INSTITUTE FOR SUPPLY MANAGEMENT FOR US, MARKIT FOR UK, EURO AREA, AND JAPAN.
** INCLUDES 23 COUNTRIES. STANDARDIZED AND DETRENDED. ADV. 6 MONTHS.



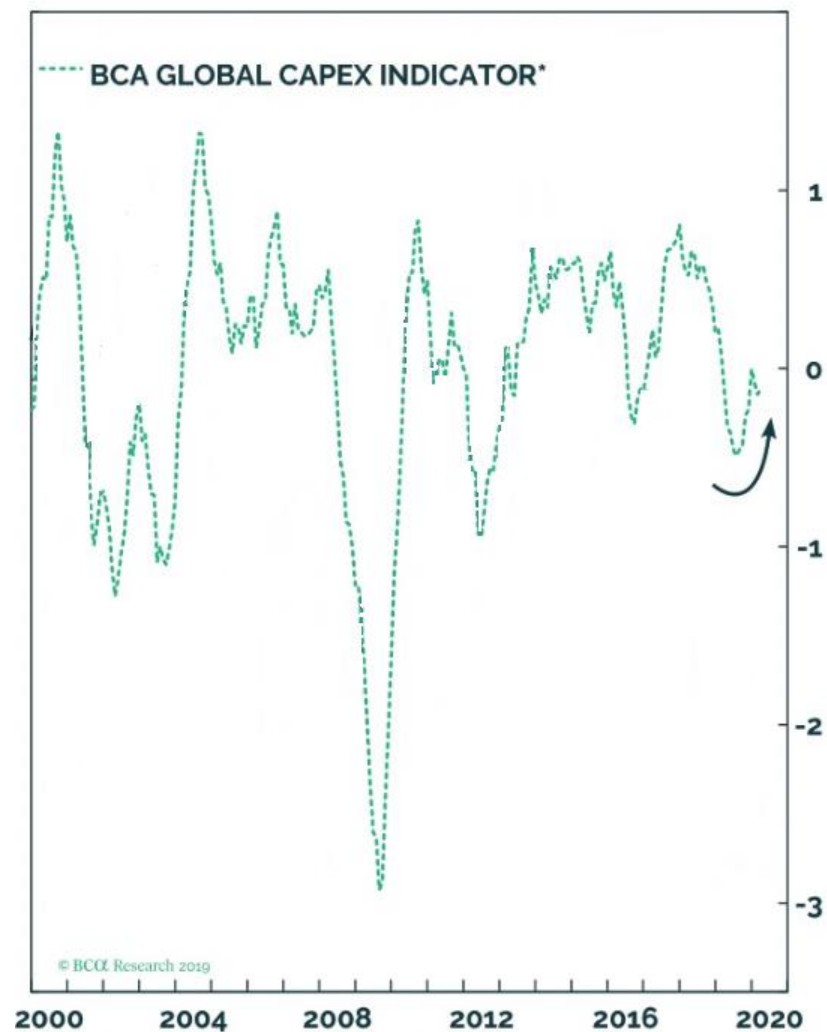
*** SOURCE: J.P. MORGAN/MARKIT.
**** AVERAGE OF US, CHINA, EURO AREA AND JAPAN.

Market Outlook

Trade policy uncertainty has abated which should be positive for future capital spending.



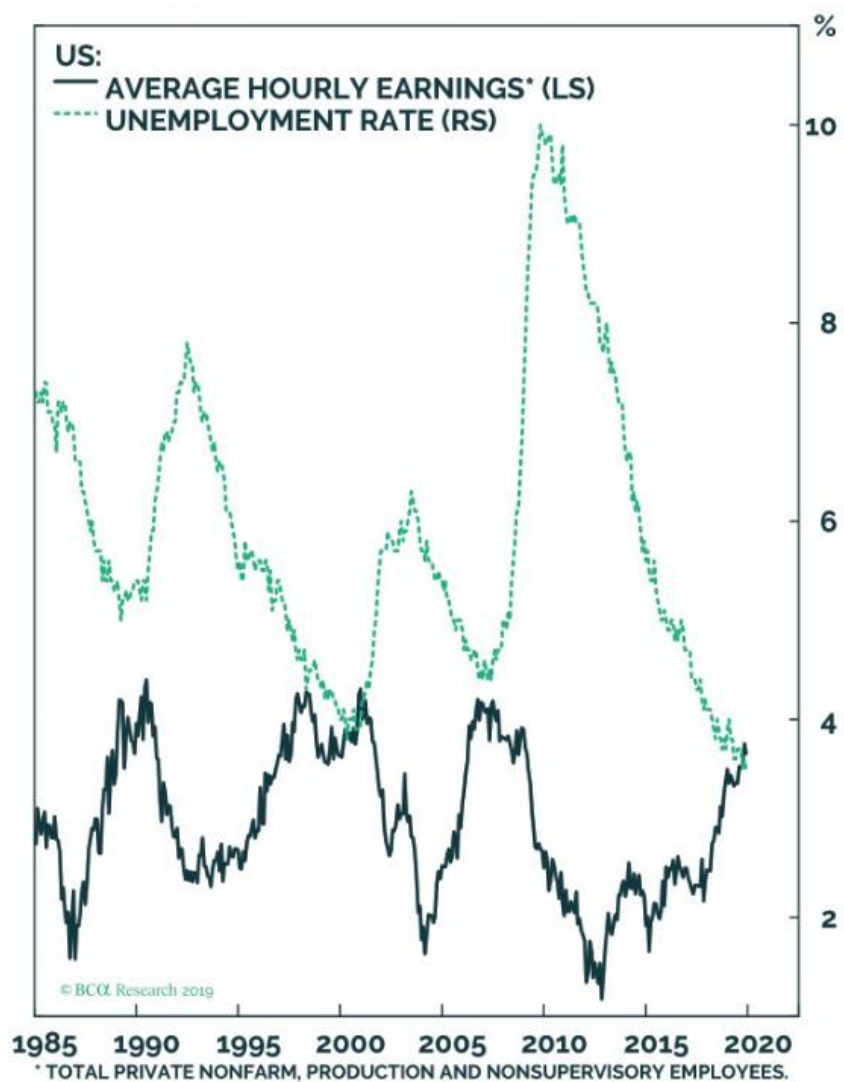
SOURCE: BAKER, BLOOM AND DAVIS, AVAILABLE AT POLICYUNCERTAINTY.COM.



* CALCULATED AS GDP-WEIGHTED AVERAGE OF US, JAPAN, EURO AREA, AND UK.
SOURCE: CENTRE FOR EUROPEAN ECONOMIC RESEARCH.

Market Outlook

The U.S. economy appears to remain on solid footing, supported by a healthy consumer.



Market Outlook

Chinese authorities continue to implement credit and fiscal stimulus which should provide a tailwind to global growth.



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* CUM. AGG. FINANCING EX. EQUITY FINANCING, LGFV SWAP FROM 2015-2018 AND LOCAL GOVT. SPECIAL BONDS ISSUANCE.
 ** GEN. (CENTRAL AND LOCAL) GOVT., GOVT. MANAGED FUNDS SPENDING AND SPECIAL INFRASTRUCTURE FUND FROM 2015-2017.
 *** SOURCE: GOLDMAN SACHS (VIA BLOOMBERG FINANCE L.P.).
 NOTE: LATEST DATA POINT FOR CHINA IMPULSE IS AN ESTIMATE

Market Outlook

A stabilization in global growth should result in stronger corporate earnings growth.



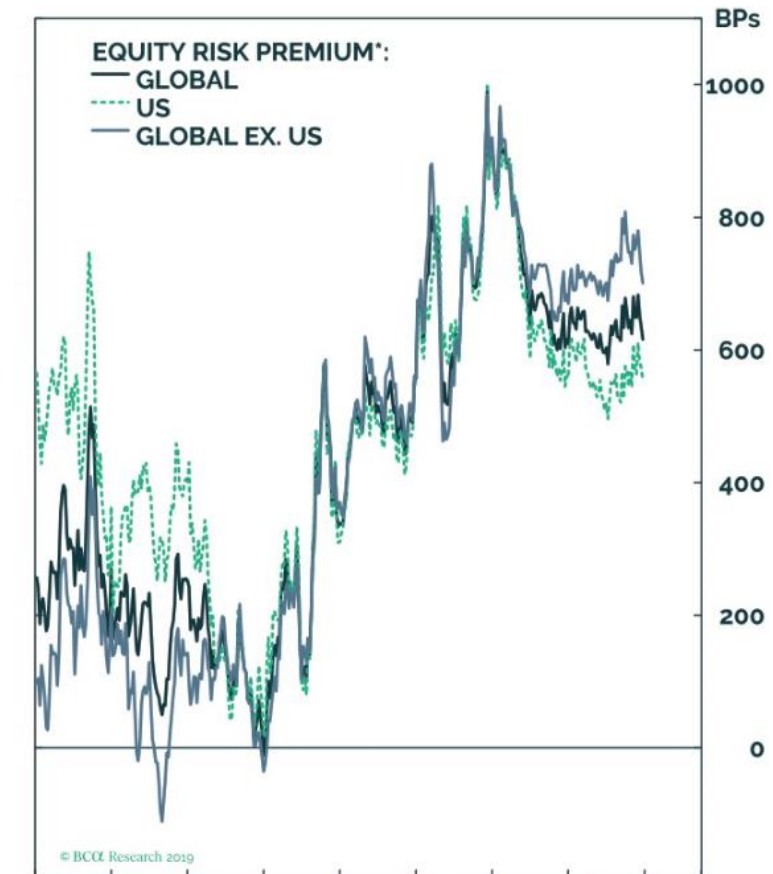
* SOURCE: MARKIT / J.P.MORGAN. SHOWN TRUNCATED AT 40.
 ** SOURCE: REFINITIV DATASTREAM / IBES.

Market Outlook

While equity valuations appear full on an absolute basis, equity risk premiums remain elevated which argues for maintaining allocations to stocks in portfolios. Relative to U.S. equities, international equities are trading at more attractive multiples.



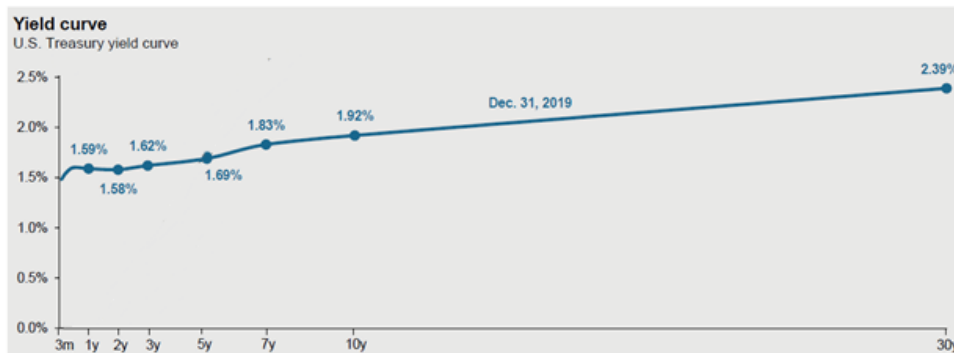
2004 2006 2008 2010 2012 2014 2016 2018
 * SOURCE: REFINITIV DATASTREAM / IBES, AND MSCI INC. (SEE COPYRIGHT DECLARATION).



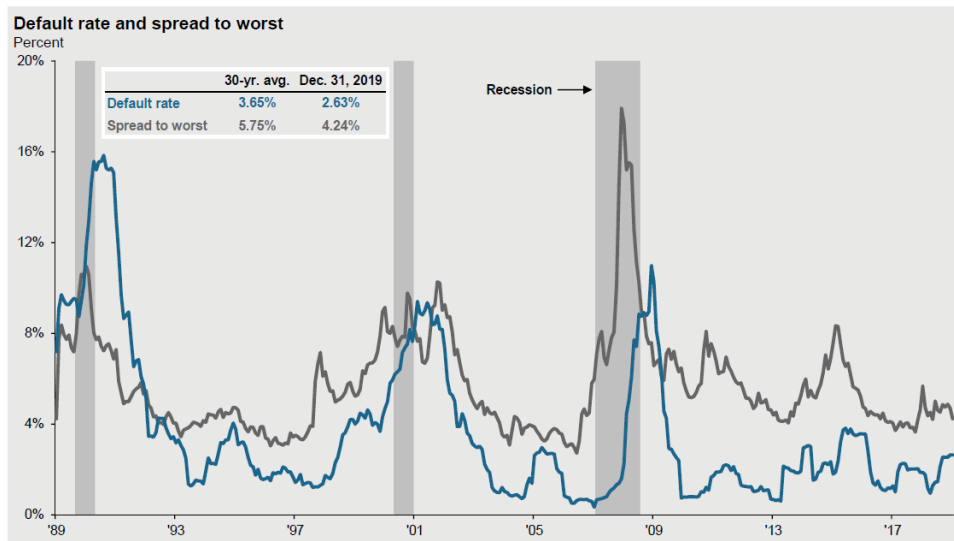
1988 1992 1996 2000 2004 2008 2012 2016 2020
 * 12-MTH FWD EARNINGS YIELD MINUS REAL 10-YR GOVT. BOND YIELD. BOND YIELD DEFLATED USING HEADLINE CONSUMER PRICES AND 10-YR CPI SWAPS. NOTE: GLOBAL IS THE MARKET CAPITALIZATION-WEIGHTED AVERAGE OF THE US, EURO AREA, JAPAN, UK, CANADA, AUSTRALIA, SWITZERLAND, SWEDEN, AND EMERGING MARKETS.

Market Outlook

Fixed income markets do not appear to be adequately compensating investors for taking duration or credit risk.



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management. Guide to the Markets – U.S. Data are as of December 31, 2019.



Source: J.P. Morgan Global Economic Research, J.P. Morgan Asset Management. Default rates are defined as the par value percentage of the total market trading at or below 50% of par value and include any Chapter 11 filing, prepackaged filing or missed interest payments. Spread to worst indicated are the difference between the yield-to-worst of a bond and yield-to-worst of a U.S. Treasury security with a similar duration. High yield is represented by the J.P. Morgan Domestic High Yield Index. Guide to the Markets – U.S. Data are as of December 31, 2019.

Potential Risks to Market Outlook

- Trade War:
 - Phase I deal
 - Phase II negotiations and potential re-escalation of trade war
- Other Geopolitical:
 - US Elections
 - Clarity on Democratic nominee will allow markets to re-price policy risks
 - Campaign rhetoric vs implementation and entrenched interest
 - Iran - Potential de-stabilization of the Middle East and impact on commodity markets
 - North Korea
- Inflation:
 - Fed's continued support of the markets is likely to continue. Largest threat is a pick-up in inflation, which may restrict the Fed's accommodative stance.

Recent Portfolio Activity

- Reduce overweight to U.S. equities relative to international equities given signs of stabilizing global growth and more attractive valuation multiples abroad than domestically:
 - Reduce exposure to BlackRock Global Dividend Fund (ticker: BIBDX) and invest the proceeds in Dodge & Cox International Stock Fund (ticker: DODFX):
 - Relative to BIBDX, DODFX is more leveraged to global growth.
 - Increase exposure to emerging market equities from underweight to neutral:
 - Emerging market equities should be a primary beneficiary of stronger growth in China.
- Rebalance U.S. large cap exposure to target allocation in select client portfolios.

Summary Market Views

Monetary Policy

Accommodative

Monetary policy became increasingly accommodative in 2019 with rate cuts by the Fed and other central banks around the world. Signs of stabilizing global growth coupled with comments from Fed and other central bank officials suggest that the pace of easing will slow. However, we expect monetary policy to remain accommodative as inflation expectations continue to reside below target in most major economies.

Fiscal Policy

Accommodative

We expect existing stimulus in the U.S. to remain in effect but do not anticipate new initiatives in the near-term. While Congress is known for accomplishing less in Presidential election years, Trump's impeachment further reduces the likelihood of any substantive law being passed. Overseas, China continues to implement stimulus, including tax cuts, issuance of government bonds to finance infrastructure projects, and fixed asset investment among state-owned enterprises. Other economies such as France and India have enacted new policy that should support global growth.

Economic Fundamentals

Neutral

The lagged effect of easing global financial conditions is beginning to result in stabilizing economic data. According to their latest model, the Fed is forecasting real GDP growth of 2.3% for the fourth quarter, up from 1.9% growth in the third quarter and above the average pace during this expansion. Overseas, Chinese growth is starting to reaccelerate as evidenced by stronger manufacturing activity. Reaccelerating Chinese growth should provide a tailwind to global growth, particularly in the Eurozone where manufacturing activity appears to have bottomed.

Market Sentiment

Neutral

The CNN Business - Fear & Greed Index and other measures of confidence have returned to levels signaling complacency among investors.

U.S. Equities

Neutral

Valuation multiples appear to be "full" while 2020 corporate earnings growth expectations remain in the mid-single digits. With signs of stabilizing growth, earnings estimates seem increasingly achievable. However, any negative earnings revisions or misses would adversely impact equity returns. Within the U.S., we continue to favor large cap over small cap and value over growth.

International Equities

Neutral

Relative to U.S. equities, international equities are trading at increasingly attractive valuation multiples with higher dividend yields. A reacceleration of global growth should provide a tailwind to earnings growth in both international developed and emerging markets, potentially leading to more favorable equity returns.

Bond Yields & Credit

Negative

We favor short-duration securities as investors do not appear to be adequately compensated for taking maturity risk. We utilize preferred securities to drive incremental income but overall are biased toward quality in fixed income allocations. With high yield spreads meaningfully below the historical average, investors do not appear to be adequately compensated for taking credit risk.

Commodities

Neutral

Oil, gold, and other precious metals have been catching a bid as investors appear to be pricing in a risk premium for escalating conflict in the Middle East. Barring an all-out war, we expect commodity prices to stabilize, particularly in oil markets where there appears to be ample supply to meet demand.

U.S. Dollar

Neutral

The U.S. dollar appears to be extended. A reacceleration of global growth should result in a weaker dollar. However, in the event of a recession, we expect the dollar to strengthen as investors rotate into safe-haven assets.

SECURE ACT

- Setting Every Community Up for Retirement Enhancement Act – Signed into law on December 20, 2019
- Required Minimum Distribution (RMD) age increased from 70 ½ to 72 for taxpayers who reach age 70 ½ after December 31, 2019.
 - Qualified charitable distributions still allowed for taxpayers aged 70 ½ or older.
 - Planning Point: Potential for additional gap years in retirement income planning
- Elimination of the Stretch provision for most non-spouse beneficiaries
 - Stretch provision allowed beneficiaries to take distributions over their life expectancy
 - New rule requires beneficiaries to distribute 100% of the inherited account within 10 years.
 - No required minimum distribution for years 1 through 10, only that entire account must be emptied by the end of the 10th year following death of the IRA owner.
 - Exceptions (eligible designated beneficiaries)
 - Spousal beneficiaries
 - Disabled beneficiaries
 - Chronically Ill beneficiaries
 - Individuals who are not more than 10 years younger than the decedent
 - Certain minor children of the original owner (but only until they reach the age of majority), then 10-year rule kicks in. (does not apply to grandchildren)

SECURE ACT

- Planning considerations and opportunities for 10-year rule
 - Split Beneficiaries between non-spouse and spouse if financial security of spouse is not a concern
 - Non-spouse beneficiary will begin one 10-year distribution term early
 - At second death, new 10-year distribution term begins for amount originally inherited by surviving spouse
 - Roth IRA conversions
 - Potential benefits of prepaying income tax out of a taxable estate
 - Potentially puts beneficiary in a better position to manage future income tax liabilities
 - Name a Charitable Remainder Trust (CRT) as beneficiary
 - Name children as income beneficiaries of trust and identify charity to receive remaining after their passing or at the end of a term.
 - Potential benefit to provide income to beneficiaries in a similar manner as stretch provision
 - Remainder will go to charity, so if a charitable intent already exists, can be a great matching strategy
 - Review existing trusts named as beneficiary
 - Ensure trust provisions match new economic outcomes of a 10-year distribution timeline

SECURE ACT

- New exception to the 10% withdrawal penalty for childbirth or adoption (up to \$5,000)
- Traditional IRA contributions no longer prohibited beyond age 70 ½
- Easier rules permitting annuity products in 401(k) plans
- Provisions aimed to encourage the adoption and use of retirement plans in small businesses
 - Tax credits for establishing plans and adopting auto-enrollment plans
 - Multiple Employer Retirement Plans (MEPs)- allow multiple employers to pool together
- Non-Retirement Plan Provisions
 - 529 Plans can now be used to fund apprenticeships and qualified education load repayments (\$10,000 lifetime limit per person)
 - Kiddie-Tax rules revert to pre-Tax Cuts and Jobs Act rules
- Tax Extenders Bill also passed at year-end (Taxpayer Certainty and Disaster Relief Act of 2019)
 - Effective only through 2020
 - Hurdle rate for medical deductions reduced back to 7.5% of AGI (had been scheduled to increase to 10% beginning in 2019)
 - Deduction for qualified tuition and related expenses
 - Treatment of mortgage insurance premiums as deductible qualified resident interest

Disclosure

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Definitions:

U.S. Large Cap Equities: U.S. Large Cap Equities are represented by the S&P 500 Index.

U.S. Mid Cap Equities: U.S. Mid Cap Equities are represented by the S&P Midcap 400 Index.

U.S. Small Cap Equities: U.S. Small Cap Equities are represented by the Russell 2000 Index.

International Developed Equities: International Developed Equities are represented by the MSCI EAFE Index.

Emerging Market Equities: Emerging Market Equities are represented by the MSCI EM Index.

U.S. Core Bonds: U.S. Core Bonds are represented by the BBlBarc U.S. Agg Bond Index.

TIPS: TIPS are represented by the BBlBarc U.S. Treasury U.S. TIPS TR USD Index.

Global Bonds: Global Bonds are represented by the ICE BofAML Gbl Brd Mkt TR USD Index

High Yield Corporate Bonds: High Yield Corporate Bonds are represented by the ICE BofAML U.S. HY Constrained Index.

Preferred Securities: Preferred Securities are represented by the ICE BofAML Adjustable Rate Pref TR USD Index.